

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

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FM AMEMBASSY LA PAZ

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E.O. 11652: N/A

TAGS: EAID, EFIN, OB, PE, BL

SUBJ: IDB: ILO DESAGUADERO ROAD LOAN

REF: 77 STATE 293635,

1. ACCORDING TO THE DIRECTOR OF BOLIVIA'S NATIONAL ROAD SERVICE, JORGE JAUREGUI, PERU WITHDREW ITS APPLICATION FOR IDB SUPPORT FOR THE ILO-DESAGUADERO ROAD PROJECT IN NOVEMBER 1977. BECAUSE THE APPLICATION WAS A JOINT ONE, THE GOB'S APPLICATION WAS ALSO WITHDRAWN. THE PROJECT WAS TO LINK LA PAZ WITH THE PACIFIC PORT OF ILO, PERU BUT THE ILO PORT FACILITIES ARE SOMEWHAT UNDEVELOPED AND ONLY A SIGNIFICANT INVESTMENT WOULD IMPROVE THEM. MR. JAUREGUI NOTED THAT THIS PROJECT'S MARGINAL RATE OF RETURN ON INVESTMENT WOULD BE INADEQUATE TO JUSTIFY THE EXPENDITURE OF FUNDS. WITHOUT A COMPLETED PERUVIAN SEGMENT, WHICH WOULD BE THE MOST DIFFICULT AND EXPENSIVE TO CONSTRUCT, THE GOB WOULD BE BUILDING A ROAD TO THE PERUVIAN BORDER WHICH WOULD SERVE NO GOOD PURPOSE.

2. INSTEAD OF THE DESAGUADERO PROJECT, CONSTRUCTION OF
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A NEW ROAD BETWEEN CHIMORE AND YAPACANI TO LINK SANTA CRUZ AND COCHABAMBA HAS GREAT PRIORITY. THIS ROAD WILL BE 162 KM LONG AND WILL COST \$56.2 MILLION. THE GOB IS SEEKING \$45 MILLION IN EXTERNAL FINANCING FROM THE IDB. MR. JAUREGUI BELIEVES THAT THE IDB WILL APPROVE THE PROJECT APPLICATION IN JUNE OR JULY OF 1978. CONSTRUCTION SHOULD BEGIN IN 1979. A HARD SURFACE ROAD PRESENTLY

LINKS COCHABAMBA AND SANTA CRUZ. THIS ROAD, HOWEVER, IS IN NEED OF SUBSTANTIAL REPAIRS AND GOES THROUGH VERY MOUNTAINOUS TERRAIN. THE SITE OF THE CHIMORE-YAPACANI ROAD IS IN A LEVEL AREA AND WOULD PROVIDE IMPORTANT NEW AGRICULTURAL AREAS WITH HIGHWAY ACCESS. TWO OTHER ROAD PROJECTS - ORURO/COCHABAMBA AND LA PAZ/TRINIDAD - HAVE HIGH PRIORITY AND WILL BE FINANCED WITH EXTERNAL ASSISTANCE. THESE WILL LINK LA PAZ AND SANTA CRUZ EVENTUALLY.

3. ACCORDING TO L.E. BONILLA, THE IDB REPRESENTATIVE IN BOLIVIA, THE GOB WILL BEGIN DESAGUADERO ROAD PROJECT STUDIES IN 1978 USING ANDEAN DEVELOPMENT CORPORATION (CAF) FUNDS. BECAUSE OF ITS LOW PRIORITY, MR. BONILLA DOES NOT BELIEVE THE GOB WILL SEEK IDB FUNDS TO FINANCE THE DESAGUADERO ROAD PROJECT IN THE NEAR FUTURE.
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